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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8638
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 1781
RUEHBJ/AMEMBASSY BEIJING 2186
RUEHKA/AMEMBASSY DHAKA 5112
RUEHNE/AMEMBASSY NEW DELHI 5255
RUEHUL/AMEMBASSY SEOUL 8855
RUEHKO/AMEMBASSY TOKYO 6427
RUEHCN/AMCONSUL CHENGDU 1702
RUEHCHI/AMCONSUL CHIANG MAI 2047
RUEHCI/AMCONSUL KOLKATA 0550
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 4258
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 2249
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 05 RANGOON 000077

SIPDIS

STATE FOR EAP/MLS, INR/EAP, EEB/TBA
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SUBJECT: UPDATE ON MYANMAR ECONOMIC HOLDINGS' ACTIVITIES

REF: 08 RANGOON 765

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d).

Summary

1. (C) Myanmar Economic Holdings Ltd. (MEHL), one of 46 state-owned enterprises (SOEs) in Burma, is among the largest and most powerful commercial entities in the country. Established in 1990 by the Ministry of Defense, active and retired military officers appear to control 70 percent of MEHL, and the Ministry of Defense owns the remaining 30 percent. MEHL has a 100 percent stake in 38 businesses in a range of sectors -- including gems/jade, consumer products, tourism, and banking -- and has shares in nine joint ventures with foreign companies. Although MEHL has no direct role in granting licenses or import/export permits, foreign and local companies looking to invest in Burma are often "encouraged" to form a relationship with MEHL in order to secure regime support and, in many cases, guarantee a profit. Embassy Rangoon recommends that all MEHL subsidiaries and their top officials be added to the U.S. targeted sanctions list. End Summary.

What is MEHL?

2. (SBU) Myanmar Economic Holdings Ltd. is one of the largest of Burma's 46 state-owned enterprises (reftel). Established as a public company on April 27, 1990 by the Ministry of Defense, its official objectives are "to provide for the economic welfare for soldiers, war veterans, and the Burmese people, as well as support the economic development of the state." While it is difficult to pinpoint who exactly

owns what in MEHL, Burma analyst Andrew Selth reports that approximately 70 percent of the company is controlled by high-ranking active and retired military officers, with the remaining 30 percent owned by the Ministry of Defense.

¶3. (C) According to MEHL's FY07-08 Annual Report, 10 military officials sit on the Board of Directors and report to the Adjutant General, Major General Thura Myint Aung. All but one member is on active duty in the military. According to our contacts, the senior generals appoint the board members for one-year terms. In actuality, however, board members serve until the senior generals decide to replace them. In June 2008, the military added an additional member to the MEHL Board and replaced two others. Current board membership is as follows:

Members of MEHL Board of Directors
As of June 30, 2008

Name	Position
Lt. General Tin Aye	Chairman
Major General Win Than	Managing Director
Major General Hla Shwe	Member
Lt. General Khin Maung Tun	Member
Major General Thein Htike	Member
Major General Nyan Tun (Navy)	Member
Maj. Gen. Khin Aung Myint (AF)	Member
Major General Tin Ngwe (Rtd.)	Member
Major General Hlaing Myint	Member
Colonel Thein Htay	Member

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¶4. (C) Of the above-mentioned board members, eight are known to the Embassy. Lt. General Tin Aye is the Chief of Military Industry; Major General Win Than is the Director of Defense Procurement in the Ministry of Defense; Major General Hla Shwe is the Deputy Adjutant General; Lt. General Khin Maung Tun is the Vice Quartermaster General; Maj. Gen. Thein Htike is Defense Services Inspector General; Major General Nyan Tun is the Chief of Staff for the Navy; Maj. Gen. Khin Aung Myint is Chief of Staff Air; and Maj. Gen. Hlaing Myint is Director of the Auditing Directorate.

Business Ventures

¶5. (C) In recent years, MEHL has expanded its mandate, shifting its business interests from strictly manufacturing and including trade and services. Currently, MEHL owns a total of 38 businesses -- 21 manufacturing companies, five trade companies, and 12 service companies -- and maintains interest in nine joint ventures with foreign companies. Many of the 38 businesses have sub-businesses (listed below), bringing the total number of MEHL-affiliated firms to 74. Additionally, MEHL has joint ventures with seven additional Burmese and foreign companies that are either under liquidation or temporarily closed. As of June 20, 2008, the various MEHL enterprises directly employed 9,616 staff. An additional 1,000 staff worked with MEHL joint venture projects, although their salaries were paid by the partner company rather than MEHL.

MEHL Business Interests
As of June 30, 2008

MEHL-Owned Manufacturing Companies
--Myanmar Ruby Enterprise
--Myanmar Imperial Jade Co. Ltd.
--Myanmar Rubber Wood Co. Ltd.
--Myawaddy Drinking Water Co.
--No. 1-2 Sin Min Cement Factories

--Ngwe Pin Le Livestock Breeding and Marine Products
--Granite Tiles Factory
--Padonma Soap Factory
--Kanpauk Palm Oil Plantation
--Kanpauk Raw Palm Oil Production Plant
--Okkan Sugar Factory and Sugarcane Plantation
--Okkan Sugarcane Plantation
--In Nga Kwa Sugar Factory and Sha Pyin Sugarcane Plantation
--Sharpyin Sugarcane Plantation
--Burger Paints Manufacturing Co.
--Moe Gyo Sulphuric Acid Factory
--Plastic Consumer Goods Factory
--Taw Win Plastic Bag Factory
--Taninthayi Bird's Nest Collection and Manufacturing
--Inn Taw Kaw Industrial Zone
--Be'lin Granite Tiles Factory

MEHL-Owned Trading Companies

--Myawaddy Trading Ltd.
--Pyithaya Export-crops Plantation and Trading
--Doe Ya Myay Export-crops Plantation and Trading
--Military Welfare Shops
--Shweli Supermarket

MEHL-Owned Services Companies

--Myawaddy Bank
--Bandoola Transportation Ltd.
--Myawaddy Travel and Tour Co. Ltd.

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--Nawaday Hotel and Tourism
--Myawaddy Agricultural Services Co. Ltd.
--Myawaddy Trading Ltd. (Foreign Currencies Exchange)
--Myanma Land and Development Co. Ltd.
--Attaran Hotel and leasing service
--Taninthayi Guest House
--X-Ray Scanning Equipment Services
--Leasing Land to International Language and
Business Center (ILBC)
--Lanpi Maritime Co., Ltd.

MEHL Joint Ventures

--Myanmar Segal International Ltd.
--Myanmar Daewoo International Ltd.
--Rothmans of Pall Mall Myanmar Private Ltd.
--Myanmar Brewery Ltd.
--Myanmar Posco Steel Co. Lt.
--Myanmar Noeveau Steel Co. Ltd.
--The First Automotive Co. Ltd.
--Hanthawaddy Golf Club and City Club Ltd.
--National Development Corporation

Source: MEHL FY07-08 Annual Report

16. (C) While the number of MEHL's active joint ventures has fallen significantly from more than 50 contracts in 2002 to just nine today, Embassy contacts Anwar Hussain and Wael Elmawie confirm that many other foreign companies involved in the manufacturing sector must still negotiate with MEHL for their contracts, licenses, and permits. Before a company can build a factory or move its operations to a new location, the owner reportedly must meet with someone on the MEHL board to request MEHL support. More often than not, Hussain said, companies pay a bribe to MEHL officials to ensure that the paperwork and official requests are not "lost or delayed." These payments can range from 100,000 kyat (\$80) to five million kyat (\$4000), depending on the type of request, Hussain said. Several trading companies, such as Burmese-owned Diamond Dragon Company, owned by U Tin Aung (who is listed on the EU sanctions list) and Tay Zaw's Htoo Trading, work with MEHL to secure export and import licenses. Having a relationship with MEHL, even if it is not an official joint venture, is essential if a company wants to make a profit, he explained.

17. (C) According to its last annual report, in FY07-08 MEHL earned approximately 49.8 billion kyat (USD 41.5 million at the current street market exchange rate) in total sales from its enterprises, most of it from annual gems and jade emporiums. Overall profits totaled 23 billion kyat (USD 19 million). MEHL also earned more than USD 5 million by leasing land to seven Burmese-owned companies. Like other state-owned enterprises, MEHL does not pay taxes to the Burmese Government. Instead, MEHL gives a portion of its income to its shareholders, which currently number 45,316 active and retired military personnel. According to its annual report, MEHL's shareholders in FY07-08 divided approximately USD 10 million, receiving an average of USD 200 each for the year. Hussain estimated MEHL's profits to be substantially higher, at closer to USD 70 million, and noted that the more senior officials, including those on the Board of Directors, likely received several hundred thousand dollars for their work. We are unable, however, to confirm this estimate.

 FY07-08 Total Sales of MEHL-Owned Businesses
 In thousands of USD

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Company	Product	Value
Myanmar Ruby Enterprise		
--Mogoke Gems	Gems	4,989
--Mineshu Gems	Gems	755
--Nantyar Gems	Gems	8,788
--Gold Exploration	Gold	607
--Mawchi Mining	Lead	4,100
Myanmar Imperial Jade Co.		
--Shal Family Co.	Jade Bracelets	223
--Imperial Jade Production	Jade	4,290
Myanmar Rubber Wood Co.	Rubber	10
Myawaddy Drinking Water	Water	20
Sin Min Cement Factories	Cement	1,030
Burger Paints	Paint	163
Ngwe Pin Le Co.		
--Fisheries	Fish	162
--Export of Marine Products	Fish	690
--Marine Finished Products	Fish	64
--Aquaculture	Fish	- 26
--Marine Industrial Zone	Land Plots	702
--Breeding Industry	Livestock	562
--Heavy Machinery	Machines	90
--Diesel Trading	Petrol Sales	140
--Sein Pin Le Factory	Food Prod.	11
--Marine Products Auction	Fish	- 13
--Mayan Zwe Ba Pond	Prawns	- 8
--Mee Pya Prawn Pond	Prawns	14
--Myawaddy Ice Factory	Ice	120
--Shwe Pyi Tha Ice Facotry	Ice	550
--Ngwe Pin Le Co.	Livestock	500
Granite Tiles Factory	Tiles	25
Be'Lin Granite Tiles	Tiles	11
Padonma Soap Factory	Soap	120
Okkan Sugar Factory	Sugar	- 291
Inn Nga Kwa Sugar Factory	Sugar	118
Moe Gyo Factory	Acid	97
Taw Win Factory	Plastic Bags	28
Plastic Consumer Goods	Plastic	43
Kan Pauk Oil Plantation	Palm Oil	4
Inn Ta Kaw Industrial Zone	Land Plots	- 139
Taininthayi Bird's Nest	Manufacturing	100
Myawaddy Trading Ltd.	Trade	11,000
Pyithaya Export Crops	Trade	110
Doe Yamyay Export Crops	Trade	55
Myawaddy Bank	Bank Services	75
Bandoola Transport	6 Transport Cos.	555
Myawaddy Travel and Tours	Tourism	16
Nawaday Tourism Co.		

--Central Hotel	Tourism	713
--Ngwe Saung Beach Hotel	Lease	1,000
--Mogok Motel	Tourism	750
--Nawady Hotel	Tourism	250
Myawaddy Agricultural Svcs.	4 Farms	69
Myanmar Land Dev. Corp.	Land	2,008
Attaran Hotel	Tourism	12
Taninthayi Guest House	Tourism	9
X-Ray Scanning	Med. Equip.	107
ILBC Land Lease	Land	484
Lanpi Maritime Co.	Shipping	0
Myanmar Segal	Textiles	750
Myanmar Daewoo	Textiles	23
Rothmans of Pall Mall	Cigarettes	1,145
Myanmar Brewery	Beer	1,887
Myanmar Posco Steel	Steel	114
Myanmar Noveau Steel	Steel	36
First Automotive Co.	Isuzu Cars	- 90

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Hanthawaddy Golf Course	Golf	- 31
National Dev. Corp.	Housing	615
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Total		49,811
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Source: MEHL FY07-08 Annual Report

Comment

18. (C) MEHL epitomizes the reach and breadth of the military's domination over Burma's economy. Its influence and holdings are key components of the elaborate system of patronage the regime uses to maintain power. While several of MEHL's companies are listed on the OFAC targeted sanctions list, Embassy Rangoon recommends the Department of Treasury include all of MEHL's wholly-owned subsidiaries, as they clearly provide significant economic and political support to the regime.

19. (C) Embassy Rangoon further recommends that the members of the MEHL Board of Directors, listed in para 3, as well as the Managing Directors and General Managers of MEHL-owned and operated enterprises, be added to the targeted financial sanctions list, as they provide substantial economic and political support for the regime by virtue of their positions in running these state-owned firms. Post should be able to identify these top company officials by name - though it will be a much greater challenge, and likely impossible in some cases, to secure biographic data such as date of birth.

VAJDA